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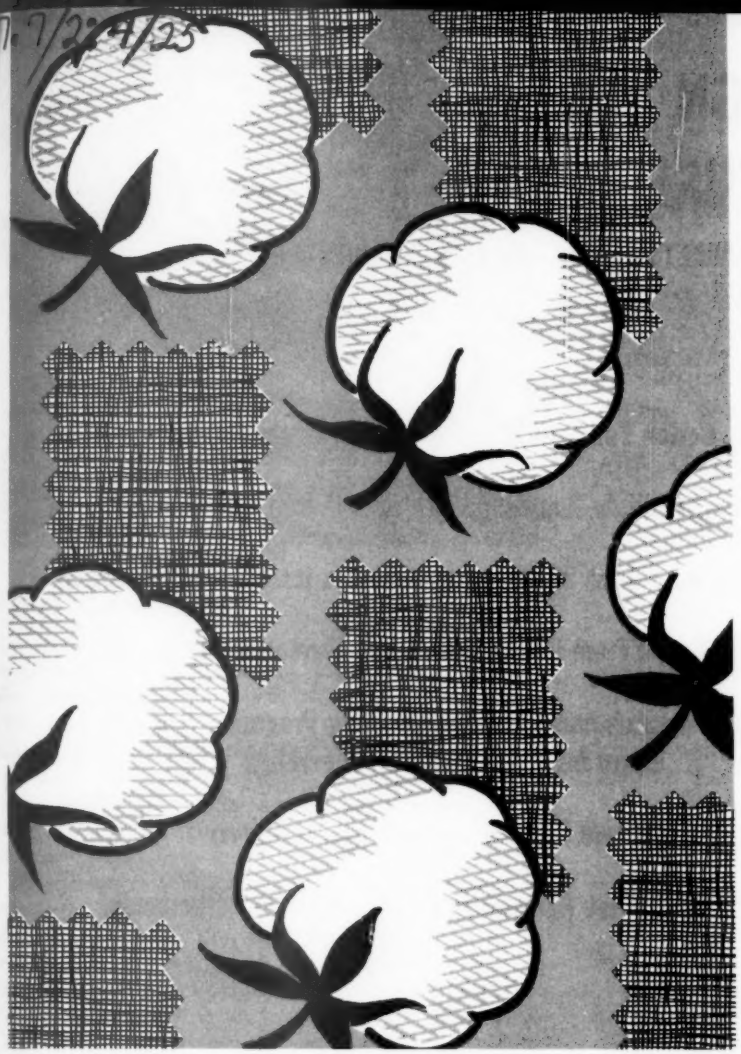

JUNE 20, 1966

U.S. COTTON POLICY
REFLECTS WORLD SURPLUS

WORLDWIDE COTTON CAMPAIGN

SUDAN'S GUM ARABIC

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FOREIGN AGRICULTURE

Including FOREIGN CROPS AND MARKETS

A WEEKLY MAGAZINE OF THE UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE

FOREIGN AGRICULTURE

Including FOREIGN CROPS AND MARKETS

JUNE 20, 1966

VOLUME IV • NUMBER 25

Cotton—subject of our cover—is also the subject of two major articles and three smaller stories in this issue. The article opposite summarizes U.S. cotton policy; that on page 5 outlines the International Cotton Institute's cotton promotion program.

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Orville L. Freeman, Secretary of Agriculture

Dorothy H. Jacobson, Assistant Secretary for International Affairs

Raymond A. Ioanes, Administrator, Foreign Agricultural Service

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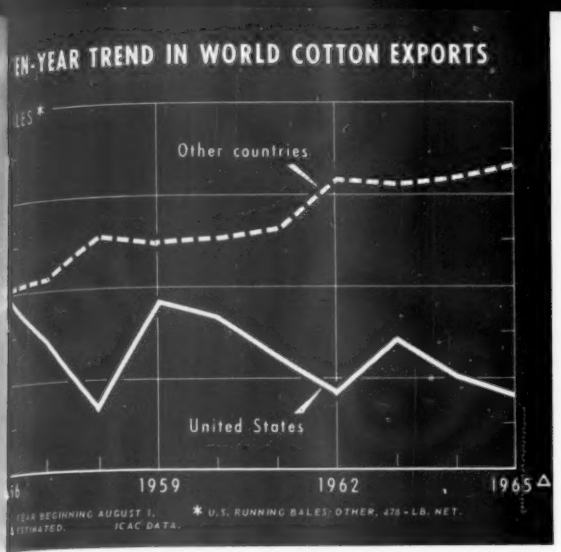

U.S. Cotton Policy Reflects Increase in World Surplus

At the International Cotton Advisory Committee meeting in Peru, the U.S. discussed the policy summarized below.

World cotton consumption is reaching a new high level of 51.0 million bales in the current season, following an almost continuous uptrend in recent years. This good news is tempered, perhaps even overshadowed, by indications that world cotton production is also reaching a new high—52.4 million bales, exceeding world consumption for the fourth consecutive year. In this period of time, around 8 million bales of surplus cotton were added to world stocks, nearly all of it reflected in increased stocks in the United States.

These trends obviously could not be allowed to continue without the prospect of unmanageable surplus problems within a short time. They point up the urgent need for production adjustments by all cotton exporting countries. They also emphasize the importance of a jointly sponsored market promotion program for the benefit of all. The United States is keenly aware of the importance of undertaking the solution of these problems, which are worldwide.

The story of the surpluses

Stocks of cotton in the United States increased from a low of 7.2 million bales on August 1, 1961, to 14.3 million bales on August 1, 1965, and are forecast to reach about 16.7 million bales on August 1, 1966. But stocks of cotton in other countries did not increase. On August 1, 1961, stocks outside the United States were an estimated 12.2 million bales, and at the end of this season they are not expected to be that large—probably about 12.1 million. In other words, the United States is carrying the surplus stocks of cotton for the world.

The United States has made major changes in its cotton laws four times during the past 10 years, in efforts to bring world supplies in line with demand. In 1956, the Soil Bank Act was passed, and during the crop years 1956, 1957, and 1958, over 9 million allotted acres were withdrawn from cotton production. Under this Act some 600,000 acres of cotton allotment were also retired under long-term conservation reserve contracts, some of which are still in effect. In 1958, legislation was passed which resulted in reducing the national acreage allotment to 16 million acres for the 1959 and 1960 crop years, but authorized increased farm plantings for these years at lower price support levels.

The Agricultural Act of 1964 authorized a domestic allotment program under which the price support rate was increased for farmers who planted within the farm domestic acreage allotment (about 65 percent of the farm acreage allotment). The acreage retired in 1964 and 1965 totaled about 1.5 million acres.

Last year, in the Food and Agriculture Act of 1965, the Congress provided a new program which applies to the 1966-69 crops of cotton. Payments will be made only to farmers who divert acreage from cotton by participating in the domestic allotment program. In addition, long-term agreements are available to farmers who agree to forego cotton production for periods of 5 or 10 years.

Special features of 1965 Act

This Act will encourage U.S. farmers to produce substantially smaller quantities of cotton than would have been produced under the legislation in effect in 1964 and 1965. It does not force American farmers to participate in this reduction, but it makes it attractive for them to do so. For example, a farmer who participates in the program agrees to divert at least 12½ percent of his effective cotton acreage allotment into soil-conserving uses; he may divert up to 35 percent. He is then eligible for a guaranteed price support loan—21 cents per pound (Middling 1-inch at average location) in 1966—plus payments (of not less than 9 cents per pound—9.42 for 1966) on cotton produced for domestic use. Further, he receives 10.5 cents per pound multiplied by the number of acres he diverts and the projected yield for his farm.

If a farmer chooses not to participate in the program, he foregoes the loan guarantee and all payments, and must sell his entire crop at the price he can obtain in the marketplace. Under these conditions, he may apply for acreage above his allotment. In 1966, such overplanting will not exceed 38,500 acres for the entire country, about 0.2 percent of the national acreage allotment.

For subsequent crops, the price support loan will be set at "not more than 90 per centum of the estimated average world market price for Middling 1-inch upland cotton for the marketing year for such crops." By fixing the loan rate to our farmers below the market price, we can expect a large percentage of U.S. cotton production to move through commercial channels. Thus, the new legislation will be a major step toward establishing a free market

rate for cotton in the United States, a development that has long been urged upon us by the governments of other cotton producing countries. By encouraging a reduction in U.S. output, this legislation will contribute importantly to the restoration of a better supply-demand balance in the world market, thus benefiting all producing countries and brightening the future for cotton.

U.S. production and consumption constant

Cotton production in the United States in the 1960's has remained at a stable level. For the past 3 years, it has been close to 15 million bales per season. This maintenance of production at the 14- to 15-million-bale level resulted from rising yields; it occurred despite the lowering of acreage planted, through the initiation of acreage diversion programs.

The consumption of cotton in the United States has not changed significantly since 1956. The total domestic fiber market did increase, but cotton's share did not. On a cotton equivalent basis, domestic consumption of all fibers (mill consumption in the United States, plus the fiber equivalent of imported textiles, minus the fiber equivalent of exported textiles) increased from 41.6 pounds per capita in 1956 to 48.6 pounds in 1964, or an average of 2.2 percent per year.

The fibers that showed growth in consumption were the manmade fibers, particularly the noncellulosic. These fibers compete with cotton on a nonprice basis, although the prices for the two types are closer together than is commonly thought. Rayon and acetate, on the other hand, are price-competitive with cotton.

Foreign production outpaces consumption

The U.S. effort to control cotton production contrasts sharply with the steady and rapid rise of production in many other countries. Acreage in countries other than the United States and Mainland China increased from 51.4 million in 1960 to 56.5 million in 1964, and production increased from 26.0 million bales to 31.3 million.

From 1956 to 1964, consumption of cotton abroad increased at an annual rate, on the average, of about 2.7 percent per year. Over this same period, production of cotton abroad increased at an average annual rate of about 4.1 percent. In other words, production outside the United States was increasing much faster than consumption.

It can only be concluded that this increased production was marketed at the expense of exports from the United States. There has been a steady and sharp decline in these exports, averaging about 4.7 percent a year from 1956 to 1965. This decline occurred at the same time that other producing countries were expanding their exports. During this period, world exports showed an average increase of 2.0 percent a year, reaching 16.6 million bales in the 1964-65 season. But exports of cotton from countries other than the United States increased at 5.6 percent a year.

Whittling down the world surplus

It is apparent that the growth in U.S. cotton surpluses was in reality the accumulation of world surplus stocks, caused by the excess of production increases over consumption increases outside the United States. This onerous and increasing burden on the United States is in great part due to our responsible and restrained price policy with regard to the international market. The United States can no longer continue to carry such a heavy burden.

The new U.S. cotton program is designed to begin relieving this burden, by permitting world market conditions to determine world cotton supply and demand and world market prices for cotton. Thus, carryover, production, and consumption in all countries of the world will affect world prices in the future.

The program will encourage American producers to produce less cotton than will be demanded for U.S. consumption and exports. The shortfall—the difference between U.S. production and disappearance of cotton—will be satisfied through sales of cotton by farmers and by the Commodity Credit Corporation at prevailing world market prices.

Current quotations for deliveries next season are down by 1 to 2 cents a pound from last season. These lower world prices should result in increasing domestic and foreign consumption and—hopefully—exports of U.S. cotton. This should permit CCC to start disposing of the world's huge surplus it now has in inventory.

No damage to world markets foreseen

The disposal of surplus stocks will take place in an orderly manner. It is believed that this can be done in a relatively few years and without seriously disrupting world markets. However, if production outside the United States continues to expand more rapidly than consumption, this effort will be nullified.

The pricing of cotton grown in the United States under the Food and Agriculture Act of 1965 is not intended to stop a reasonable rate of growth in the production of cotton in the rest of the world, but it is hoped that the growth rate for consumption will consistently exceed that for production until world surpluses are reduced to more manageable levels. Over several years, the cotton program authorized by the Act should play a major role in bringing the world cotton supply into a reasonable balance and enabling the world to reduce its surplus stocks.

Research and promotion for cotton

It is clear that the broad inroads being made by noncellulosic manmade fibers in cotton's market are not entirely the result of pricing, since the noncellulosic fibers command much higher prices than cotton does.

The rapidly increasing demand for these fibers may be attributed in large part to the investment of the fiber producers in research and promotion. For example, in the United States last year it is estimated that the manmade fiber industry invested approximately $135 million in research. For cotton, the amount spent was about $26.5 million from all sources combined, both governmental and private. In promotion, $70 million was spent for the manmade fibers against about $4 million for cotton.

Total fiber consumption in the world has risen 80 percent in the last 15 years. That is equivalent to 39 million bales of cotton and reflects an average annual rate of over 2.5 million bales. If, through research and promotion, cotton can hold its present share of the world fiber market (about 60 percent), world trade in cotton could rise substantially over the next few years. The manmade fiber producers have no monopoly in promotion techniques. Cotton can use the same techniques; and if the recently formed International Cotton Institute receives full support from a majority of the producing countries, there is reason for some encouragement about cotton's future.

Cotton Institute Approves Worldwide Cotton Campaign for 1967

The General Assembly of the new International Cotton Institute, at its recent meeting in Washington, approved the first part of a worldwide program of research and promotion for cotton.

This first part—primarily advertising and sales promotion supported by market research and public relations—is scheduled to start January 1, 1967, in the major targets Western Europe and Japan. These two areas account for over three-fourths of the international trade in cotton, and are the areas where competition from synthetics is keenest.

The second part of the program, utilization research, will be developed later. "Through research and promotion," the Institute's President Rodriguez Adame said, "cotton should be able to hold its relative position in the total textile market, and the expanding populations and rising incomes should expand cotton's consumption by millions of bales.

"If cotton had had these programs in effect a decade and a half ago, and had been able to hold its share of the textile market during that time, there would be no surplus today and cotton producers would have had to grow another 30 million bales."

The Institute's promotion activities will be undertaken in close cooperation with trade and industry in the target areas, with funds from such groups expected to more than double the amounts contributed by the Institute.

Programs will be financed by contributions of $1 per bale of exports to Western Europe and Japan, each country using whatever means it desires to collect the funds it contributes. The United States contribution will come from funds earmarked in the Agricultural Trade Expansion Act (P.L. 480) for the purpose of developing new and expanded foreign markets for U.S. farm products.

The members of the Institute—the United States, Mexico, the United Arab Republic, Sudan, India, and Spain—account for approximately half the world's production and exports of cotton. (Any cotton producing and exporting country which is a member of the United Nations is eligible for membership. Uganda has recently announced its intention to join; others are expected to follow.)

Unified, international approach

The widespread financial support of the Institute and its integrated program are expected to give cotton exporting industries of these countries the effective, international organization they have long needed to develop and administer research and promotion programs.

In the past, lack of a cohesive program to pull together the millions of cotton growers, plus the thousands of ginners, merchants, spinners, weavers, and garmentmakers who are involved in marketing and processing cotton, has made it difficult to compete with manmade fibers. Synthetics, unlike cotton, are produced by a few large corporations which have a large measure of control of the fiber from production through retail distribution and promotion.

The Institute—organized formally only this spring—provides the framework through which cotton producers in all countries may work collectively among themselves and in cooperation with trade and industry to stimulate demand for cotton.

Key products for all the promotion programs will be men's and women's leisure wear, women's fashions, rainwear, and men's shirts. Markets for leisure wear have emerged in Western Europe just within the past 5 or 6 years. Increased wages, more leisure time, and greater disposable incomes have made casual clothes popular items in the wardrobes of West Europeans. A cotton emblem will be used simultaneously in advertising, on actual products, and in private advertising of industry and trade. The target will be primarily those who make the most textile purchases—the adult female population.

In the countries where campaigns will be carried, promotion partners for the Institute will be sought among manufacturers, designers, and retailers who are the leading ones in volume, fashion, and quality, and have wide distribution, advertising, and merchandising facilities. Leading department and chain stores, selected garmentmakers, and knitters are expected to be the most predominant partners.

Advertising methods to vary

Cooperation will be either on an institutional basis or in specific projects—whichever best suits the needs of the local industry. In institutional cooperation, one agreement will cover the financing of the whole program, including overhead, research, promotion, and public relations.

The Institute plans several kinds of specific promotion. In *umbrella advertising*, the Institute will run an ad with a cotton message, and manufacturers of various cotton products will advertise their own products on the following pages. Under *cooperative advertising*, the cotton program and a partner will share the cost of one or more pages of advertising in selected magazines or other media. In *parallel advertising*, the Institute and a partner will each sponsor its own marketing efforts for the same product.

Country programs in Denmark, Germany, Sweden, and the United Kingdom—operated from the Institute's offices in Frankfurt, Paris, London, and Oslo—will not be supported by institute contributions locally, but by individual manufacturers and retailers.

In Austria, Belgium, Finland, Japan, the Netherlands, Spain, and Switzerland, the entire programs will be operated on the basis of a cooperative agreement with local industry organizations. The programs will be carried out with funds provided for the Institute under contract with Cotton Council International as part of CCI's market development program for FAS. In France and Italy, part of the programs will be handled directly by the Institute and part with local institutions or associations.

Along with the consumer advertising, trade advertising, public information, and education services that will be part of each country's cotton campaign, a number of special projects have been planned. Several countries will have "cotton weeks" and "white sales" as well as fashion shows and displays in trade fairs. In France, the Institute will have a special campaign for canvas awning and in Japan advertisements for Kasuri and Yukaki cotton fabrics.

To strengthen the impact of the national projects and to influence the integrated European market, the Institute in 1967 will also undertake an international campaign. The program will be concentrated on a few important products and carried out through a few leading trade magazines with an international circulation.

Ecuador: A Look at Sales Opportunities for U.S. Farm Products

By CARLOS ORTEGA
U.S. Agricultural Attaché, Quito

Like many developing countries, Ecuador is designing its future for self-sufficiency in food and fiber, increasing its potential as a diversified exporter, and improving its domestic marketing and processing industries. These lines of action will have a gradual but real effect on reducing foreign imports.

In a 1965 decree, reforming and revising its tariff law, the government stated that its reform measure was designed to: (1) develop the country by reducing foreign competition; (2) tighten tariff controls to eliminate revenue losses; and (3) consolidate the administrative system.

In the process, customs duties went up to new high levels. Other measures designed to curb imports followed. One increases prior-deposit requirements for issuing import licenses and places qualitative restrictions. Others extend preference to LAFTA countries.

Essentially, Ecuador is rather self-sufficient in its food requirements. Probably as much as 90 percent is grown domestically. It must, however, import 70 percent of its vegetable oils, 60 percent of its wheat, 75 percent of its tobacco, nearly 100 percent of its tallow, and a limited supply of canned and other processed foods.

A rundown of the commodity situation, looking in particular at the sales opportunities, follows:

Wheat market growing

The United States and Canada have been the traditional suppliers. Ecuador consumes 100,000 tons of wheat annually for its flour industry. In its peak production, Ecuador supplied 60 percent of its requirements; on the low side, and in more recent times, its production netted 40 percent of requirements. Canada held a favorable price and quality advantage through 1964. U.S. improvements in quality and price were noticeable here in 1965.

The prospects for 1966, and for 1967 onward, suggest that instead of the United States furnishing 40 percent of the deficit, we can move up to 80 percent or better.

Our progress in supplying this market warrants restatement. From less than $1.0 million in 1962-63, the U.S. share had risen to $1.6 million in 1964-65. This crop year we expect to see something over $2.0 million in wheat sales, advancing to $3.5 million in 1967.

Tallow and vegetable oils

Ecuador's commercial requirements for tallow must be totally satisfied from foreign sources since domestic production is minimal. Over the years the United States has supplied from 70 to 97 percent. In 1964, the U.S. provided $2.32 million out of $2.75 million, and 1965 should show a slightly higher figure. Our guess is that the U.S. share will be $2.6 million out of $3.5 million.

With regard to vegetable oils, the local industry uses 12,000 metric tons in the production of edible oil and shortening, domestic production providing 30 percent. The United States was the major supplier in 1964 and 1965. In 1965, for example, the United States probably furnished 7,000 tons of the 8,000-ton total imported.

From supplying 3,000 tons ($0.6 million) in 1962 to 7,000 tons ($1.7 million) in 1965 is good progress. The Soybean Council is designing a modest program of technical assistance to the industry.

Tobacco, livestock

Ecuador is also a sizable market for U.S. tobacco. We supply 50 percent of the cigarette requirements and 25 percent of the tobacco leaf requirements.

In 1964, total imports of cigarettes from the United States were 3.1 million pounds, with a value of $2.9 million. In 1965, total imports were 1.6 million pounds valued at $3.1 million. In 1964, tobacco leaf imports, also primarily from the United States, totaled 1.8 million pounds, with a value of $0.7 million. Comparable figures for 1965 are not available.

The United States can expect to hold this level—around $4.0 million—for several years. However, U.S. possibilities are limited by the growing domestic efforts for production of flue-cured tobacco that will be required when legislation comes into force this July specifying a mixture of 65 percent domestic leaf in cigarette manufacture.

In 1965, 623 head of select U.S. cattle were imported into Ecuador. Valued at $0.4 million, they marked a high point in U.S. cattle sales to Ecuador.

This was in part brought about by the efforts of American breed associations. Their direct visits with livestock producers and their participation in shows as livestock judges and classifiers have created a healthy relationship that has stimulated sales to the degree that credit or other means of financing were available.

In the future, there is a possibility of developing a greater market for feed grains, especially for poultry feeds. The poultry industry is a small but dynamic group which is gaining acceptance for its products in a market where a pound of poultry meat costs 75 cents and ungraded eggs retail at 60 cents a dozen.

Competition—internal, not external

Commercial competition from other suppliers does not threaten the U.S. position in Ecuador so long as the United States continues to improve the quality of its exports and to maintain a competitive price position. Where the competition will come from will be Ecuador's internal policy—a policy designed to replace imports, to promote the production of wheat, vegetable oils, tobacco, and tallow.

The term "import replacement" is not a mere concept: it is a deep-rooted objective to which the Ecuadorans aspire. The fact that national wheat is selling at an average price of $3.50 a bushel and that domestic vegetable oils are priced higher than those from foreign sources makes little difference.

The LAFTA (Latin American Free Trade Area), of which Ecuador is a member with special status as a country in development, has not had a direct effect on agricultural commodity trade. Somewhere along the road, the United States will need to face the problems of competition with Argentina and possibly Mexico, but for the present the United States is in a safe position as long as it is directing its attention to the improvement of its market relationships with the government and with industry.

Gum Arabic From Sudan Exported to Markets All Over the World

Sudanese gum arabic—a major component of adhesives—is the backbone of the world's postage stamp business. Also used in candy and bakery products, these pecan-sized balls of sap are the country's second leading export and brought in $20 million last year.

The Sudan supplies about 85 percent of the world's gum arabic. Before the development of cotton as a cash crop about 35 years ago, it ranked as the country's top export and today still accounts for 11 percent of its total exports. Trade in gum arabic has grown in recent years, and new markets have appeared as industrialists the world over recognized the excellent adhesive qualities and low price of Sudanese gum arabic. An ordinarily abundant labor supply enables Sudan to export the gum for about 18 cents a pound—a price competitive with both synthetic materials and other natural gums.

Most trees grow wild

The acacia senegal trees from which the gum is obtained grow wild in a belt stretching across the middle of the Sudan in the Provinces of Kordofan, Blue Nile, and Darfur. They also are found on the southern frontier of the Sahara Desert for about 200 miles south of where vegetation begins in Chad, Nigeria, Mali, and Senegal and also in parts of the Somalilands.

In August and September, after the rainy season has ended, farmers cut light abrasions on the trees. The cambium layer bleeds, and balls of sap form on the bark. By January and February the sap has crystallized and the balls are collected, often with small, long-handled nets to avoid the trees' abundant thorns.

The balls are placed in burlap bags and transported by donkey, camel, or landrover truck to gum markets in El Obeid and several other towns where merchants and buyers for foreign customers assemble for the gum auction which is carried out under government supervision. In February 1966 the average price to gum collectors for clear gum arabic was $8.62 to $8.79 per 100-pound bag. Red, brown, and purple balls, as well as tahl gum from the acacia seyal tree, bring a slightly lower price than do balls of clear gum arabic.

Market deliveries of gum arabic increased from about 16,000 metric tons in 1939 to over 40,000 tons in 1944 when World War II caused a booming demand. According to the Sudan's leading exporter of gum arabic, production in 1964-65 was about 44,000 metric tons.

Almost entire crop exported

Over 98 percent of Sudan's gum arabic crop is exported, with about 90 percent going to industrialized nations. The United States usually takes about a fifth of annual exports and Europe about half. Major markets in Europe include the United Kingdom, Italy, West Germany, Belgium, and the Netherlands, while markets in Austria, Finland, Denmark, and Hungary are growing rapidly.

Exports to Eastern Europe remain below 1,000 metric tons annually because industries there usually use other gums and also because Sudanese exporters prefer to sell for convertible currencies. Most of the gum arabic shipped there goes to Czechoslovakia, Poland, and Hungary.

Exports to Argentina, Mexico, and Peru have increased sharply in the past 10 years, while those to Canada have more than doubled because of the greater use of adhesives on the under side of wrapping paper.

Many wild acacia trees not near urban centers or transportation have never been tapped for gum arabic. In these areas, better transportation facilities and more incentives for rural workers could encourage increased production. Some acacia forests have been planted as windbreakers in the Gezira and Khashm El Girba Schemes.

—Dispatch from JOHN B. PARKER
Assistant U.S. Agricultural Attaché
Cairo, United Arab Republic

Clockwise from top: cutting lesions in bark of the acacia senegal tree allows balls of gum arabic to form; buyer inspects gum at auction, hires workers to carry them away.

Crop Research and Vigorous Marketing Program Win "E" Award for Pacific Supply Cooperative

Dockside at Portland, Ore., Pacific Supply Cooperative officials (l. to r.) George Nakata, Fletcher Dickinson, Carl Franklin, and Lee McFarland observe loading of their organization's first shipment of red beans to South America.

Pacific Supply Cooperative, providing supplies and marketing services to farm producers in seven States, was awarded a Presidential "E" late last month for moving a wide spectrum of Pacific Northwest commodities into foreign markets.

Foye M. Troute, General Manager, accepted the "E" citation from Joseph G. Knapp, Administrator of the USDA Farmers' Cooperative Services, at a luncheon during the Columbia Basin World Trade Conference.

Based in Portland, Ore., the 33-year-old company serves 117 local cooperatives in Oregon, Washington, Idaho, Montana, Wyoming, Utah, and northern California. Its marketing department, which in recent years has stepped up activities abroad, represents an estimated 50,000 producers in the foreign and domestic sale of grass seeds, forage grasses, peas, beans, alfalfa pellets, animal protein meals, and malting barley, among other crops.

Export business growing

Pacific's export business has increased from 10.8 percent of its total sales in fiscal 1962-63 to 13.9 percent in 1964-65. Today, its products are known to buyers in Asia, Europe, Latin America, and the Middle East.

Through its international marketing network, Pacific can supply foreign customers with a wide variety of specialty and miscellaneous farm crops. To assure expedient handling of inquiries and orders, marketing specialists maintain daily contact with company members. Pacific is also deeply involved in agricultural research, including test production of new cash crops for which it has discovered export potential.

Stresses market evaluation

Foreign markets are constantly evaluated for potential demand. Using trade lists, leads, and surveys, Pacific attempts to gear its distribution methods to each individual market to guarantee its producers top representation and returns. Other efforts toward gaging the foreign market include personal visits and consultations with foreign trade mission members.

Pacific officials consider their company's participation in the U.S. Seed Exhibit at the Tokyo Trade Center last August of particular importance in broadening its base of export activity in the Far East. While in Tokyo for the exhibit, Pacific representatives called on buyers in major Japanese cities, as well as in Korea and Okinawa, establishing contacts with many key organizations and individuals influential in importing agricultural products into the Far East.

Almost every commodity Pacific exports meets with strong foreign competition. Emphasizing product superiority—in terms of packaging, grading, and nutritional value—rather than lower price, the company has been extremely successful in meeting the challenge of Burmese, Australian, Korean, and Mainland Chinese producers of Austrian peas. Likewise, the reputation of the Pacific Northwest for quality grass seeds has been carried into the foreign market, and last year Pacific exported over 20 varieties of grass seeds.

Always on the lookout for new outlets for its members' crops, Pacific recently completed negotiations for substantial shipments of Northwest malting barley to the Far East. These sales resulted from a successful test shipment to Japan, accompanied by numerous exhibits and in-person contacts. Company officials believe Japanese and Korean brewers will become major customers.

Pacific has also helped develop interest in dehydrated alfalfa pellets in Japan, contracting for the production of these pellets by a Northwest company and maintaining close working relationships with potential buyers.

Research brings new exports

Side by side with market research and development has come product research—test production of cash crops new to the Pacific Northwest. To the extent possible, Pacific encourages producers to grow these crops near the port of shipment.

Keenly aware that transitions toward urbanization in Japan have resulted in shifts in crop production—and in some cases actual declines—Pacific 2 years ago began experimental plantings of the Japanese Azuki bean, principal source of bean paste, a common food ingredient. Commercial plantings are now a fact in several areas of the Northwest.

Similar tests are now underway for black and white beans, again to provide Pacific members with new opportunities for crop diversification and profit. Although tests on the Chinese Azuki bean showed it would not grow well under Northwest conditions, the company was able to contract for its production in the Midwest.

More Cotton Exports to Communist Nations

Exports of raw cotton from the Free World to Communist countries were 4 percent higher in 1965-66 than in the same periods a year earlier. Shipments from the Free World to Communist countries amounted to 1,187,000 bales (480 lb. net) through the months indicated, compared with 1,144,000 a year earlier.

Total exports from the Free World to Communist countries in the 1964-65 season (August-July) were 2,442,000 bales. Largest supplier was Egypt, which accounted for 38 percent of the total. Egypt reportedly has committed all of its exportable supply from the 1965-66 crop. Based on unofficial trade reports, Egypt's exports to Communist areas will be even larger than last season.

Syria has exported a smaller share of its 1965-66 crop to Communist countries to date than in any of the previous two seasons. Only 60 percent of the August-April cotton exports went to Communist countries compared with 64 percent in 1964-65 and 74 percent in 1963-64.

COTTON EXPORTS FROM FREE WORLD COUNTRIES TO COMMUNIST COUNTRIES[1]

Exporting country	No. of months[2]	Bulgaria	China	Czech.	East Germany	Hungary
		1,000 bales[3]	*1,000 bales*	*1,000 bales*	*1,000 bales*	*1,000 bales*
Brazil	5	0	0	7	0	7
British E. Africa	4	0	55	0	0	0
Egypt	6	6	41	47	9	9
Greece	8	11	0	12	0	15
Iran	4	1	1	5	0	30
Mexico (direct)	8	0	0	0	0	0
Pakistan	8	0	100	0	0	0
Sudan	2	0	4	0	0	0
Syria	9	14	140	1	0	19
Turkey	8	10	6	12	8	21
U.S.[4]	9	0	0	0	0	0
Other[5]	4	0	6	0	0	3
Total 1965-66		42	353	84	17	104
Total 1964-65		30	397	63	21	93

Exporting country	No. of months[2]	Poland	Rumania	USSR	Total 1955-66	Total 1964-65
		1,000 bales[3]	*1,000 bales*	*1,000 bales*	*1,000 bales*	*1,000 bales*
Brazil	5	1	0	11	26	8
British E. Africa	4	6	0	0	61	56
Egypt	6	22	20	183	337	301
Greece	8	18	0	12	68	48
Iran	4	1	0	0	38	55
Mexico (direct)	8	4	0	0	4	30
Pakistan	8	29	0	3	132	96
Sudan	2	0	0	14	18	12
Syria	9	21	44	98	337	417
Turkey	8	21	6	7	91	28
U.S.[4]	9	42	0	0	42	70
Other[5]	4	12	0	0	33	23
Total 1965-66		177	70	328	1,187	—
Total 1964-65		171	78	291	—	1,144

[1] Statistics for some countries are preliminary. [2] Season beginning August 1. [3] 480 lb. net. [4] Running bales. [5] India, Israel, Nigeria, Morocco, and Colombia.

Free World Cotton Imports From USSR Up

Imports of raw cotton from the USSR by Free World countries during the 1965-66 season were nearly double the rate for the same period last season. Canada, Japan, and the United Kingdom have made especially heavy purchases of Russian cotton this season. Particularly significant are the 43,000 bales imported by Canada, representing early shipments under a 90,000-bale agreement between the two countries with the remainder scheduled for delivery later. The Soviet Union accounts for practically all cotton exported to the Free World from Communist countries.

FREE WORLD COTTON IMPORTS FROM USSR

Importing country	No. of months[1]	1964-65	1965-66
		1,000 bales[2]	*1,000 bales*[3]
Austria	6	5	6
Canada	5	1	43
Finland	7	33	33
France	9	32	54
Germany, West	6	41	50
Japan	8	7	47
United Kingdom	8	24	50
Other	6	8	6
Total	—	151	289

[1] Seasons beginning August 1. [2] 480 lb. net.

Canadian Cotton Use is Lower in April

Canadian textile mills opened 33,975 bales of raw cotton in April, compared with 36,519 in April 1965 and 42,924 in March of this year. April openings were the smallest for a given month since June 1963, excluding the month of July, which coincides with the annual mill holidays. Despite the reduced consumption rate in recent months, the high rate of use earlier in the season makes the cumulative August-April consumption of 368,000 bales the highest for those months since 1950-51.

Morocco's Almond Pack Forecast Lower

The 1966 Moroccan sweet almond crop has been tentatively forecast at 4,500 short tons—down 2,100 tons from the large 1965 crop, but well above the 1960-64 average of 3,300 tons. Yields are expected to be good near the Essaouira, Marrakech, and Beni Mellal regions, while low yields are forecast for the Tafraout region and the Rif Mountains. Production of bitter almonds may total 1,500 tons in the current season, compared to a crop of 2,200 tons in 1965.

Exports of the 1965-66 pack are estimated at 6,500 tons, more than double the 1964-65 level of 3,100 tons. Morocco's leading markets during calendar 1965 were Cuba, France, West Germany, and Hungary.

U.K. Committee on Herbage Seed Supplies

The Joint Parliamentary Secretary to the Ministry of Agriculture, Fisheries, and Food, Mr. John Mackie, M.P., met with representatives of the U.K. herbage seed industry May 19 to consider the industry's present position and future prospects for seed supplies. The industry decided

to form a committee on herbage seed supplies to inquire into: the production of herbage seeds and the stability and profitability of the herbage seed industry in the United Kingdom; the quality of seed supplies, both home-produced and imported; and export possibilities.

It has been proposed that the three Agricultural Ministers in the United Kingdom select members of the committee after consultation with seed producers, seed trade, and seed users' organizations concerned with the U.K. seed industry.

Record Togo Cocoa Bean Exports

Togo's exports of cocoa beans during 1965 totaled a record 17,153 metric tons valued at $6.8 million, compared with 1964 exports of 13,488 tons valued at $6.6 million. All exports went to the European Economic Community, with the exception of 600 tons destined for the USSR.

Northbound Suez Canal Shipments in April

In April, northbound shipments of oil-bearing materials through the Suez Canal at 133,622 metric tons were 15,389 tons below the March volume but 18 percent above shipments in April 1965. The increase was accounted for mainly by larger movements of copra.

NORTHBOUND SHIPMENTS OF OIL-BEARING MATERIALS THROUGH THE SUEZ CANAL

Item	April		October-April	
	1965	1966	1964-65	1965-66
	Metric tons	*Metric tons*	*Metric tons*	*Metric tons*
Soybeans[1]	14,106	14,494	134,678	70,919
Copra	46,020	73,467	458,444	560,419
Peanuts	17,268	17,298	118,475	104,398
Cottonseed	17,984	6,824	76,841	56,585
Flaxseed[2]	3,585	960	18,152	4,546
Castorbeans	2,376	7,588	19,720	32,975
Palm kernels	2,972	3,178	17,770	20,677
Sesame	3,469	3,298	22,815	33,563
Other	5,384	6,515	63,985	44,528
Total	113,164	133,622	930,880	928,610

[1] Metric ton of soybeans equals 36.7 bu. [2] Metric ton of flaxseed equals 39.4 bu.
Suez Canal Authority, Cairo, Egypt.

Shipments of soybeans in April at 533,000 bushels were 67,000 bushels below the March volume. Aggregate shipments in the October-April period at about 2.6 million bushels were 1.8 million bushels less than the volume for the comparable period in 1964-65.

NORTHBOUND SHIPMENTS OF SOYBEANS THROUGH THE SUEZ CANAL

Month & quarter	Year beginning October 1				
	1961	1962	1963	1964	1965
	1,000 bushels	*1,000 bushels*	*1,000 bushels*	*1,000 bushels*	*1,000 bushels*
April	231	566	100	518	533
May	6	—	10	786	—
June	2	7	596	72	—
October-December	919	12	19	1,604	110
January-March	4,082	1,328	1,484	2,826	1,963
April-June	239	573	706	1,376	—
July-September	327	1,584	4,106	1,562	—
October-September	5,567	3,497	6,315	7,368	—

Totals computed from unrounded numbers.
Suez Canal Authority, Cairo, Egypt.

Shipments of vegetable oil-bearing materials in the October-April 1965-66 period at 928,610 tons were slightly below the volume shipped in the comparable 7 months of 1964-65. Reduced movements of soybeans, cottonseed, peanuts and flaxseed were virtually offset by increased shipments of copra, castorbeans, and sesame.

Aggregate shipments of vegetable oils through the canal in the 7-month period ending April 30, 1966, at 262,293 tons were significantly above the 217,697 and 221,426 tons shipped in the like periods of 1964-65 and 1963-64, respectively. April shipments alone amounted to 25,488 tons compared with 24,585 tons in April 1965. Palm and cottonseed oil shipments increased from those in 1964-65; coconut, castor, and tung oil shipments declined.

Cumulative shipments of vegetable cakes and meals in the 1965-66 period through April were 997,816 tons against 974,684 tons in the same period a year ago. Increased movements of copra and cottonseed cakes and meals were partly offset by fewer of peanut meal.

Togo's Tobacco Imports Higher

Togo's imports of unmanufactured tobacco last year totaled 330,000 pounds, compared to 208,000 pounds in 1964. The United States is the principal supplier, followed by Malawi and Rhodesia. Imports from the United States rose to 195,000 pounds from 110,000 in 1964, consisting mainly of Black Fat and dark-fired tobaccos.

Imports of manufactured products in 1965 totaled 1.4 million pounds, compared to 1.1 million in 1964, and consist primarily of cigarettes. The United Kingdom is the principal supplier, followed by the United States, France and Senegal. Imports from the United Kingdom last year rose to 767,000 pounds from 518,000 in 1964 while those from the United States totaled 257,000 pounds, compared with 60,000 for the previous year.

Sweden's Tobacco Imports Reduced

Sweden's imports of unmanufactured tobacco last year, at 16.6 million pounds, were about one-half the 1964 high of 31.0 million pounds. The sharp reductions in imports of U.S. leaf along with moderately smaller takings from Greece, Colombia, and Italy more than offset stepped-up purchases from Rhodesia, Mexico, Malawi, Turkey, Indonesia, Cuba, and Brazil.

SWEDEN'S UNMANUFACTURED TOBACCO IMPORTS

Origin	1963	1964	1965[1]
	1,000 pounds	*1,000 pounds*	*1,000 pounds*
United States	11,911	24,337	6,876
Greece	1,045	2,019	1,932
Brazil	24	902	1,105
Indonesia	498	340	985
Mexico	344	675	944
Turkey	489	203	849
Rhodesia	(3)	426	791
Cuba	631	—	668
Malawi	(3)	366	591
Colombia	15	143	443
Yugoslavia	827	386	342
India	686	220	231
Venezuela	—	71	82
Italy	79	276	40
Canada	373	3	26
Others	[2]2,276	619	722
Total	19,198	30,986	16,627

[1] Preliminary; subject to revision. [2] Not shown separately, included in others. [3] Includes 1,852,000 pounds for the Federation of Rhodesia and Nyasaland.

Imports of U.S. leaf last year, at 6.9 million pounds, were equal to only 28.3 percent of the 1964 record of

24.3 million pounds and were the smallest since 1942. Imports of U.S. tobaccos last year consisted of about 36 percent flue-cured leaf, and 16 percent dark-fired leaf, with stems accounting for almost all of the remainder. Imports from India, Canada, and Rhodesia, along with some from Malawi and Poland, were primarily flue-cured. Imports from Mexico and Venezuela last year were all burley leaf.

Pakistan's Cigarette Output Rising

Pakistan's cigarette output last year continued its upward trend. Production amounted to 22,009 million pieces and was 17.3 percent greater than the 18,770 million produced in 1964.

Guatemala Becomes Net Tobacco Exporter

Guatemala has become a net exporter of tobacco after being an historical net importer. Significant increases in cigarette exports to both Honduras and El Salvador have brought about this recent change. Also, foreign shipments of burley leaf tobacco are expected to increase substantially to West Germany if the quality of the leaf meets West German requirements.

Leaf tobacco imports are expected to continue downward as domestic flue-cured production rises. The scheduled increases in the import duties on leaf tobacco (under the Central American Tariff Equalization Program) will act as a deterrent to imports. The applicable rate of duty effective April 1966 is equivalent to 80.7 U.S. cents per gross pound plus 16 percent ad valorem. Import duties will be progressively increased until they reach a maximum equivalent to US$1.13 per gross pound plus 25 percent ad valorem by April 1969.

Guatemala's cigarette exports during the first 11 months of 1965 totaled a record 443,000 pounds, or more than 10 times larger than the January-November 1964 level of 41,000 pounds. Honduras and El Salvador are the principal foreign outlets; a small volume goes to Costa Rica.

Guatemala's exports of leaf tobacco during January-November 1965 totaled 239,000 pounds—down 17 percent from the 288,000 pounds shipped abroad for the same period in 1964. West Germany is the principal export market; small quantities go to Nicaragua. The average export price paid by West Germany for Guatemalan burley tobaccos was equivalent to 55.3 U.S. cents during January-November 1965, compared with 52.5 in calendar 1964.

Guatemala's imports of tobacco are mainly leaf, and minor quantities of cigarettes, cigars, and other products.

Leaf tobacco imports during the first 7 months of 1965, at 287,000 pounds, were down slightly from the January-July 1964 level of 297,000 pounds. The United States and Honduras are the principal suppliers. Imports from the United States consist of flue-cured, burley, and blended strips used in cigarette production.

Finland's Tobacco Imports Lower

Finland's 1965 imports of unmanufactured tobacco totaled 12.8 million pounds, compared with 13.4 million in 1964. The United States supplied 6.6 million, or 52 percent of the total in 1965. The year before, the U.S. share was 58 percent.

Other leading suppliers of Finnish imports in 1965 included Greece, 2.0 million; Turkey, 1.2 million; Rhodesia-Malawi, 0.9 million; and Indonesia, 0.6 million.

Average import prices per pound in U.S. cents for tobaccos from major sources in 1965 were the United States 78 cents, Greece 72 cents, Rhodesia-Malawi 35 cents, Turkey 67 cents, and Indonesia 98 cents.

FINLAND'S TOBACCO IMPORTS[1]

Origin	1964	1965
	1,000 pounds	*1,000 pounds*
United States	7,737	6,611
Greece	1,764	2,023
Turkey	649	1,220
Rhodesia-Malawi	1,143	927
Indonesia	647	633
Mexico	352	238
Thailand	282	225
Bulgaria	132	162
Canada	110	155
Others	586	603
Total	13,402	12,797

[1] Includes stems.

Mexico's Tobacco Exports Smaller

Mexico's 1965 tobacco exports dropped from 19.8 million pounds in 1964 to 11.4 million last year. Reduced shipments of light tobaccos (mainly native sun-cured and burley) accounted for the decline.

Exports of light tobaccos were only 8.3 million in 1965, compared with 18.6 million in 1964. Exports of dark tobaccos, largely cigar leaf, jumped from 1.2 million pounds in 1964 to 3.1 million in 1965. Major markets for Mexican tobacco in 1965 were the United States, France, and West Germany.

MEXICO'S TOBACCO EXPORTS

Destination	1964		1965	
	Light tobacco	All tobacco	Light tobacco	All tobacco
	1,000 pounds	*1,000 pounds*	*1,000 pounds*	*1,000 pounds*
United States	5,726	6,052	1,622	3,917
France	994	994	2,098	2,098
Germany, West	54	95	1,938	1,938
Sweden	550	550	507	507
Czechoslovakia	—	—	455	455
Japan	—	—	322	322
Uruguay	—	573	—	274
Panama[1]	4,956	4,956	—	—
Switzerland	4,519	4,566	—	—
Others	1,775	2,022	1,376	1,887
Total	18,574	19,808	8,318	11,398

[1] Presumably destined to Italy.

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Highlights of the Agriculture and Trade of the Netherlands

Resources.—The Netherlands covers an area of about 16,000 square miles and is less than half the size of South Carolina. The Netherlands is one of Europe's most densely populated countries. The population in 1964 was 12.1 million, of which 4.0 million were in the labor force. Gross national product (GNP) in 1964 was $16.8 billion, or almost $1,400 per capita.

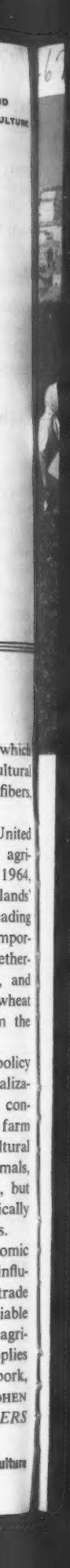
Agriculture.—The index of gross agricultural production for the Netherlands rose slightly to 104.2 in 1964 (1952-54 = 100). Gross agricultural production is almost 10 percent of GNP in the Netherlands and agriculture employs 10 percent of the labor force. Farming in the Netherlands is very efficient. About 40 percent of total agricultural land is cultivated and devoted to crop production. Livestock products account for about three-fourths of the value of agricultural output. Dairying contributes about one-third of the livestock products. About two-thirds of the meat produced is pork.

Food Situation.—Daily caloric intake averages about 3,100 per capita. In recent years, per capita consumption of cereal products and potatoes has been considerably smaller than prior to World War II. Milk consumption has increased in recent years, but remains below the pre-World War II level. Beef and veal consumption is about 40 pounds per capita while consumption of pork, having increased in recent years, is almost 60 pounds.

Foreign Trade.—Total exports (f.o.b.) by the Netherlands in 1964 were valued at $5.8 billion, one-quarter of which were agricultural products. Agricultural exports of importance include meats, dairy products and eggs, and fruits and vegetables. Three-fourths of the products exported by the Netherlands were shipped to other countries in Western Europe, with about half going to EEC countries. Imports (c.i.f.) totaled $7.1 billion in 1964, of which 18 percent were agricultural products. Major agricultural imports are feed grains, tropical products, natural fibers, fruits and vegetables, animal feed, and oilseeds.

Agricultural Trade With the United States.—The United States supplied 30 percent ($372.5 million) of the agricultural products imported by the Netherlands in 1964, and took 4 percent ($67.5 million) of the Netherlands' agricultural exports. The Netherlands is one of the leading markets for U.S. commercial agricultural exports. Important U.S. agricultural commodities imported by the Netherlands were wheat and flour, feed grains, soybeans, and animal fats. The Netherlands imports over half its wheat and flour and three-quarters of its feed grains from the United States.

Factors Affecting Agricultural Trade.—Postwar policy in the Netherlands has been directed toward a liberalization of import restrictions. Some quantitative import controls and fixed tariffs are applied to protect domestic farm prices. Import licenses are required for all agricultural products. No tariffs are applied for breeding animals, oilseeds, certain animal fats, and raw material fibers, but products fully processed and competitive with domestically produced items are subject to high ad valorem tariffs.

The Netherlands is a member of the European Economic Community (EEC); thus, its trade policy is being influenced by the Common Agricultural Policy (CAP) trade regulations of the Common Market. The CAP variable levy-threshold price system which often restricts agricultural trade with non-EEC countries currently applies to grains, rice, poultry and eggs, dairy products, pork, and beef and veal.

—MARSHALL H. COHEN
Foreign Regional Analysis Division, ERS